



Highlights

- **Skaland Graphite - Acquisition completed of world's highest-grade flake graphite operation located in Norway**
- **Skaland - Graphite production of up to 10,000tpa with regulatory approval to increase to 16,000tpa – immediate access to European graphite market**
- **Skaland - MOU signed with Norway-based battery cell developer FREYR AS**
- **Tormin - Prospecting Rights for Northern Beaches and Inland Strand granted, and registered subsequent to quarter end.**
- **Tormin - Resource drilling to commence immediately**
- **Tormin - production metrics aligned with expected decreasing mined ore grades**
- **Munglinup DFS completed demonstrating robust outcomes that will allow MRC to move to 90% ownership of Munglinup during the Q1 2020. DFS accepted by JV partner and released in Q1 2020 ⁽¹⁾**
- **Munglinup/Skaland Downstream purification test work progressing well with results due for release in Q1 2020**
- **Interim dividend \$A0.006 per share paid 14 October 2019**

(1) ASX release Robust Munglinup DFS Results Allow MRC to Move to 90% Ownership of Munglinup Graphite Project – 8/01/2020.

Corporate and Cash

Cash: US\$8.1m as at 31 December 2019 , plus US\$10.1m in trade and other receivables.

Debt: Borrowings as at 31 December 2019 of US\$7.8m.

Securities: 421.2 million shares and 4.75 million performance rights as at 31 December 2019.

Mineral Commodities Ltd ("MRC" or "the Company") is pleased to report the Company's activities during the quarter ended December 2019.

MRC satisfied the outstanding conditions precedent under the Share Purchase Agreement ("SPA") and completed the acquisition of 100% of the issued share capital in Skaland Graphite AS ("Skaland") under the SPA. MRC subsequently paid the initial cash consideration of NOK41.4M (US\$4.5M) with the remaining consideration of NOK38M (US\$4.2M) payable over five years (refer to ASX release 7 October 2019). BSG Mining LLC, an unrelated party, holds a 10% interest as the facilitator of the transaction. MRC took operational control of Skaland on 4 October 2019 and immediately commenced a comprehensive review of operations, which is ongoing and includes current and future mine design and planning, along with all other aspects of the processing and mining operations.

During the conclusion of the Skaland transaction, the Company identified and engaged with numerous Norway-based industry and government groups to progress and partner in the development and promotion of the Company's downstream strategy for Skaland graphite concentrate. This engagement resulted in the December announcement of an executed binding, non-exclusive Memorandum of Understanding ("MOU") with FREYR AS ("FREYR"). FREYR is a Norwegian incorporated company developing a combined 2+32GWh lithium-ion battery facility and a 600MW onshore wind-park in the Rana and Nesna municipalities in Norway. MRC and FREYR have agreed to evaluate the manufacture and supply of sustainably sourced natural anode material from Skaland graphite concentrate for use in FREYR's battery cells.

The Company's 50% owned subsidiary, Mineral Sands Resources (Pty) Ltd ("MSR"), was granted two prospecting permits (10261PR and 10262PR) which were registered subsequent to quarter end. The permits will allow MSR to commence resource drilling programs at the beaches directly north of, and on the Inland Strand areas adjacent to, the existing Tormin mining operations, in the Western Cape province of South Africa (see Figure 1). The Company plans to commence JORC compliant resource definition drilling programs as early as February 2020 targeting an Indicated Resource at the Northern Beaches and a Measured and Indicated Resource over the Inland Strand areas (refer ASX release 30 January 2020).

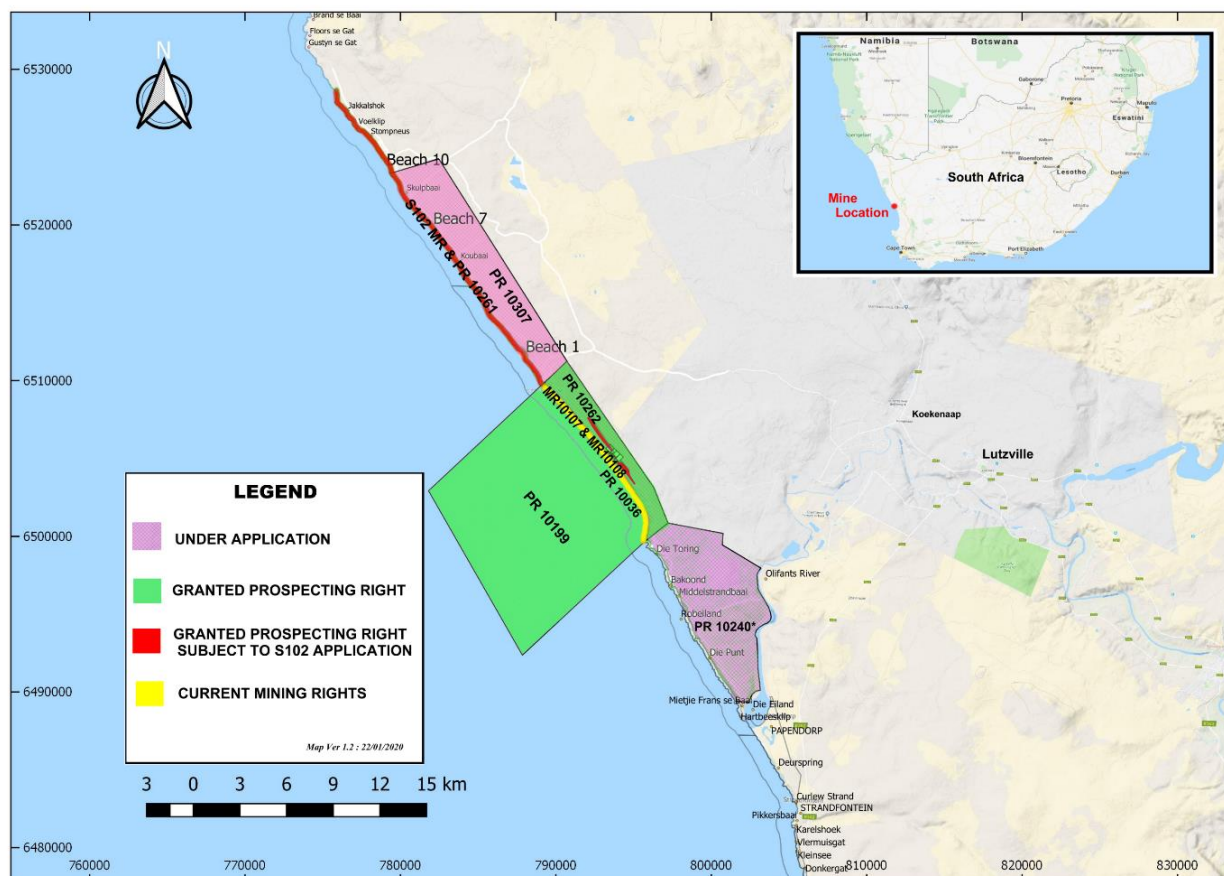


Figure 1 – Tenements under application and granted, Tormin, South Africa

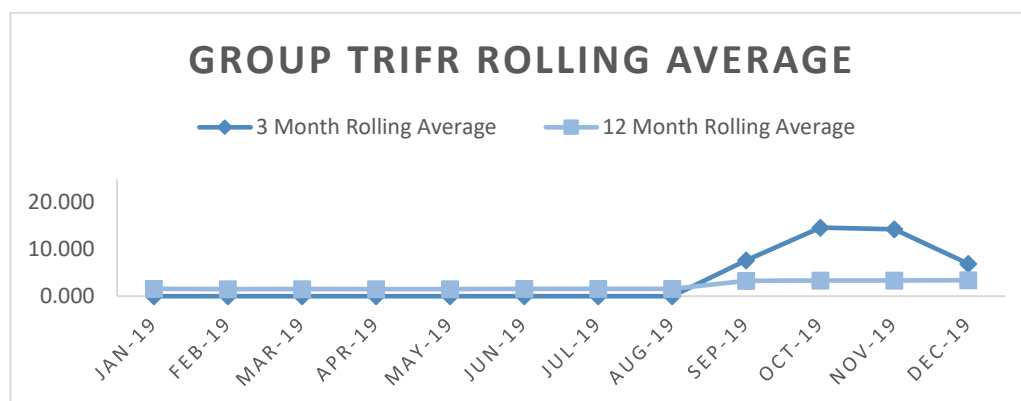
MRC completed the Munglinup Graphite Project Definitive Feasibility Study ("DFS") during the quarter with final acceptance of the study received from the Joint Venture partner and subsequent release of the study on 8 January 2020 (refer ASX release 8 January 2020). The DFS demonstrated robust economic outcomes of a concentrate only production scenario and confirmed the Company's view that Munglinup will become a crucial asset in its overall strategy to manufacture and supply natural anode material to meet the fast-growing demand from the lithium-ion battery sector.

The Company finished the quarter with US\$8.1 million in cash, and after recognising the payment of the US\$4.5 million cash consideration for Skaland Graphite AS and an interim dividend of US\$1.7 million during the quarter. Trade and other receivables increased to US\$10.1 million and borrowings increased to US\$7.8 million, including the US\$4.2 million liability acquired as a part of the acquisition cost of Skaland Graphite AS.

SAFETY, ENVIRONMENT AND COMMUNITY

Tormin

Since the commencement of operations in late 2013, the Company has incurred only one Lost Time Injury, in April 2017. The Total Recordable Injury Frequency Rate ("TRIFR") 12-month rolling average was affected by two medically treated cases ("MTC") during the previous quarter but has declined with no medically treated cases in the current quarter.



The Company continues to implement its Social Labour Plan ("SLP") commitments, highlighted this quarter with circa ZAR3 million spend focused on continued regional education in maths and science, portable skills development and internships with the Company.

The Company remains committed to implementing community projects that will positively and meaningfully impact our local communities. During the quarter, maintenance upgrade work to the value of R2 million was completed at the Nuwerus High School Boarding House, which will accommodate sixty more learners from neighbouring settlements. Hand over to the local Department of Education and the Matzikama Local Municipality was held in November 2019.

The year ended successfully with the reported attendance of 224 high school learners participating in the Company-sponsored Maths & Science Spring School during October and November. In addition to this, the Company collaborated with the Matzikama Local Municipality on phase one of the Doornbay Slipway Project, targeting the challenge of poverty in the small fishing town of Doornbay.

Skaland

No lost-time injuries occurred in the quarter. A single health and safety incident occurred during the quarter, resulting in damage to a light vehicle in the underground mine. Options for replacing the current light vehicle fleet are under evaluation to ensure the fleet complies with Company standards.

The Company conducted a safety audit of Skaland operations in the quarter, which highlighted the workforce has a good knowledge base of safety requirements but safety systems need improvement to comply with Company standards. Improvement initiatives have subsequently commenced, including standardised safety performance reporting for the two operations.

Historically Skaland has maintained a solid safety performance, however the Company believes that operating within a structured management system can only further enhance the Company's ongoing OH&S compliance.

A failure in the attachment point of the tails line to an anchor released a small amount of tailings outside the target area. Processing operations were immediately suspended until the tails line could be promptly re-attached. Options for online monitoring of the tailings system is under consideration as part of the incident investigation.

The Company is evaluating options for further improving tailings treatment, with the associated test work expected to commence next quarter.

TORMIN OPERATIONS

The Company increased its mining and processing production rates during the quarter to an equivalent mining rate of 2.6Mtpa and processing of 2.3Mtpa, producing 49,438 tonnes of final concentrate.

Processing

GSP/SCP Production & Processing	Quarter ended 31-Dec-19	Quarter ended 30-Sep-19	Quarter ended 31-Dec-18	Year to Date 31-Dec-19	Year to Date 31-Dec-18
Tonnes processed (gross dmt)	126,798	139,005	175,846	589,473	858,631
Tonnes produced (dmt)					
- Garnet concentrate (net)	36,634	47,196	72,575	179,057	278,205
- Ilmenite concentrate (net)	10,050	10,631	18,632	49,937	108,630
- Zircon/Rutile concentrate	2,754	1,717	3,817	9,939	16,996
- zircon in concentrate	65.89%	65.39%	68.87%	66.74%	68.31%
- rutile in concentrate	14.64%	15.19%	16.68%	15.36%	17.43%

Finished concentrate production was aligned with expected lower mined ore grades and rescheduled Garnet Stripping Plant / Secondary Concentration Plant ("GSP/ SCP") feed rates. Total final concentrates production was 49,438 tonnes, due to the combined impact of reduced mined garnet grades on HMC production and finished garnet concentrate production.

Mining

Mining	31-Dec-19 Quarter	30-Sep-19 Quarter	31-Dec-18 Quarter	Year to Date 31-Dec-19	Year to Date 31-Dec-18
Tonnes (dmt)	638,158	527,405	779,209	2,509,978	2,650,099
Grade	10.50%	10.88%	18.17%	11.15%	17.35%
- Garnet	7.64%	7.84%	12.25%	7.53%	12.55%
- Ilmenite	2.07%	1.61%	3.47%	1.81%	3.14%
- Zircon	0.50%	0.37%	0.54%	0.42%	0.55%
- Rutile	0.17%	0.19%	0.34%	0.21%	0.38%
- Leucoxene	0.12%	0.87%	1.57%	1.18%	0.73%

Run of Mine ("ROM") volumes have been adjusted to a mining rate of circa 2.6Mtpa in an effort to increase ROM stockpile inventory buffer stocks and increase Heavy Mineral Concentrates ("HMC") production. The increased mining production has been achieved by maintaining an average of 5.5 days per week working roster implemented in June 2019.

The composition of Valuable Heavy Mineral ("VHM") grade has improved during the quarter with a significant increase in zircon and ilmenite grades resulting from the dredging activities with the amphibious excavator and improved beach grade repleishment enhanced by targeting higher grade zircon and ilmenite areas.

ROM feed to the Primary Beach Concentrators ("PBCs") for the quarter was 584,545 tonnes at an average feed rate of 332tphr at 79.7% plant utilisation, with the throughput aligned with management expectations.

HMC production from the PBCs produced 126,798 tonnes, compared to the prior quarter's 135,646 tonnes. Mineral processing recoveries from the PBCs remained strong, with the plants recovering 90% zircon, 87% ilmenite, 88% garnet and 79% rutile.

Sales

Sales (wmt)	31-Dec-19 Quarter	30-Sep-19 Quarter	31-Dec-18 Quarter	Year to Date 31-Dec-19	Year to Date 31-Dec-18
- Garnet concentrate	53,288	53,288	53,288	213,150	213,281
- Ilmenite concentrate	54,310	53,921	-	216,616	106,750
- Zircon/Rutile concentrate	2,492	1,876	3,192	10,444	17,968

Sales revenue for the quarter was US\$14.3 million for a total 110,090 wet metric tonnes sold, compared to the prior quarter's revenue of US\$15.8 million for 109,085 wet metric tonnes sold. The reduction in revenue reflects lower transport revenue and no physical garnet and shipments, due to scheduled delays from GMA.

Unit Costs & Revenues

Summary of Unit Costs & Revenues	Dec-19 Quarter	Sep-19 Quarter	Dec-18 Quarter	Dec-19 Year to Date	Dec-18 Year to Date
Unit production cash costs per tonne of net final concentrate produced (US\$/dmt)	98.58	74.02	58.53	84.40	42.06
Unit cost of goods sold per tonne of final concentrate sold (US\$/wmt) ⁽¹⁾	91.59	109.45	85.90	89.27	110.08
Unit revenue per tonne of final concentrate sold (US\$/wmt)	122.33	138.78	163.25	132.13	156.95
Revenue to Cost of Goods Sold Ratio	1.34	1.27	1.90	1.48	1.43

Note (1) – Cost of goods sold includes production cash costs, product handling, transport and selling costs, royalties, stock movements and depreciation and amortisation. Excludes corporate and financing costs.

Unit production cash costs for the December quarter reflect the decline in production of gross product during the current quarter.

Total unit cost of goods sold for the quarter was lower than the previous quarter (US\$91.59/t v US\$109.45/t) due to lower production costs after inventory adjustments.

Unit revenue per tonne of final concentrate sold for the quarter of US\$122.33 compares to US\$138.78/t for the previous quarter, reflecting lower pricing obtained for ilmenite and non-mags product during the quarter.

Revenue to Cost of Goods Sold Ratio for the quarter of 1.34 is above the prior quarter's 1.27 with lower unit cost of goods sold only partially offset by lower unit revenues.

Permitting - Tormin

As previously reported, the Company received renewals of mining rights 10107MR and 10108MR (formerly known as 162MR and 163MR) for a further 10 years in September 2019. The Department of Environmental Affairs ("DEA") dismissed appeals relating to the Company's prospecting rights covering Tormin Inland Strand (10262PR) ("Inland Strand") area on its Company-owned Geelwal Karoo farm and the Northern Beaches (10261PR) ("Northern Beaches").

Northern Beaches

The Northern Beaches incorporate ten beaches directly north, and adjoining the current beach mining area at Tormin. The Northern Beaches prospecting area incorporates a semi-continuous tenement approximately 23km in length, covering an area of 398 hectares of beach sands prospective for zircon, rutile, ilmenite, garnet, leucoxene and magnetite. Like the current beach mining area at Tormin, the Northern Beaches share similar placer style characteristics of deposition and replenishment.

The heavy minerals ("HM") in the beach sands are constantly replenished by the transport of new sediment from deeper waters, much of which has been derived from the erosion of deposits accumulated in the elevated historic beach terraces onto the present beach. This replenishment occurs as a result of the naturally highly dynamic nature of sediment transport processes on beaches in this area. The beaches have previously been drilled by Trans Hex for diamonds and heavy mineral sands, and the occurrence of heavy mineral sands has been confirmed.

These marine strandlines are characterised by an extremely high concentration of HM in distinct layers. The THM content has been reported by Trans Hex in an internal non-JORC compliant resource report ("Tormin Feasibility Study Report dated June 1992") to be between 20% and 34% with a weighted average of 22% THM for 1.79Mt.

These grades have not been verified and are reported as Historical Foreign Estimates with Table 1 exemption under Listing Rule 5.10 "referring to historical or foreign estimate of mineralisation for areas adjacent to or near to the entity's mining tenements".



Figure 2 - Northern Beaches area

The Company intends to immediately commence a sonic drilling program designed on a 50m x 25m grid in order to try and verify the above historical foreign estimates and delineate a JORC (2012) compliant Indicated Resource. To do this MRC is targeting a total beach area of 5.7 kilometres strike length within the prospecting tenure.

Inland Strand

The Inland Strand Incorporates an area approximately 12km in length covering 1741 hectares of coastal area immediately adjacent to the existing mining operations on the Company-owned farm Geelwal Karoo 262. The inland palaeo strandline has been identified by geophysics and supplemented by historical sampling (Figure 3). There is also substantial data reflecting the presence of multiple palaeo strandlines running parallel to the coastline and within the current Inland Strand prospecting tenure. This deposit has undergone historical exploration since the 1930s (Haughton 1931, Toerien & Groeneveld 1957, Abele 1989, Swart 1990, Barnes 1998), with exploration drilling work undertaken by Trans Hex between 1989 and 1991.

During 1999, Trans Hex conducted additional onshore drilling of strandlines and identified the inland raised beach deposits containing heavy minerals. Trans Hex subsequently bulk sampled the material by digging a number of trenches in 1999-2000 (Figure 4).



Figure 3 – Inland Strand

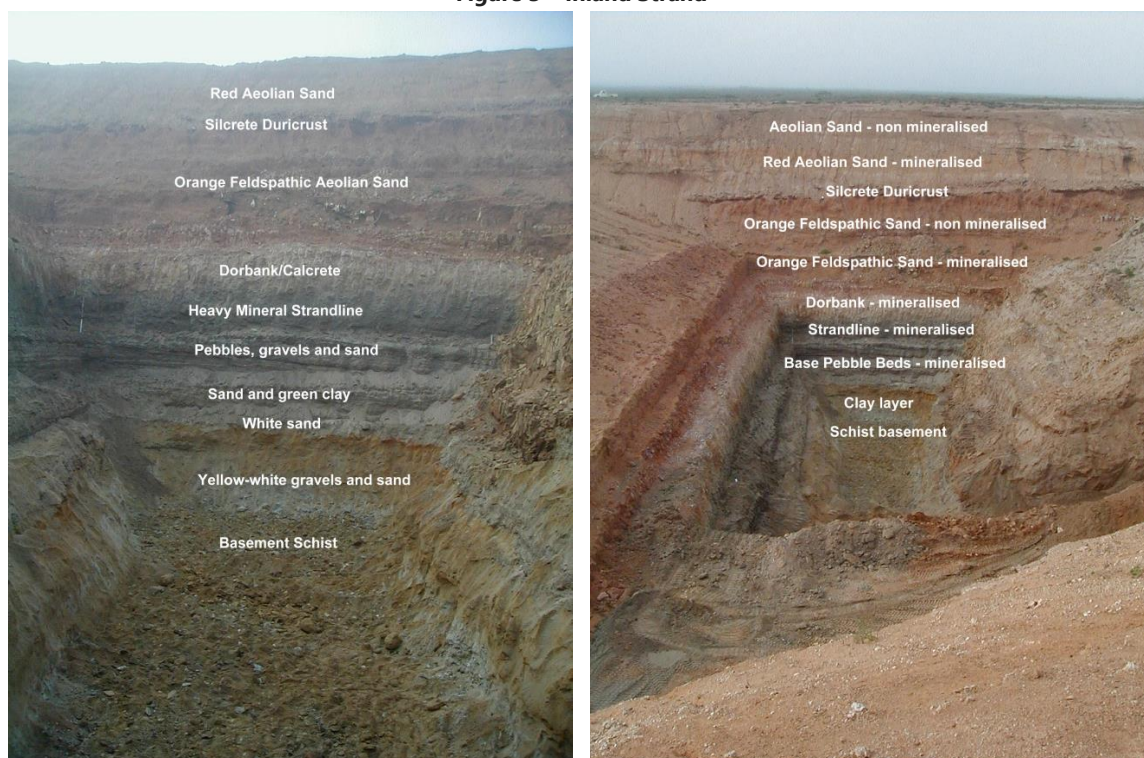


Figure 4: Historical inland bulk sampling by Trans Hex indicating the heavy mineral strandline

The Company anticipates commencing a Resource Definition Program on the Inland Strand as early as February 2020, utilising reverse circulation ("RC") drilling on a 200m by 25m grid across the known areas of mineralisation. The Company anticipates delineating and releasing a JORC (2012) compliant Measured and Indicated Resource at the completion of the drilling program.

In addition to the recently granted prospecting rights, the Company has under application additional significant prospecting areas to the North and South of the recently granted Tormin Inland Strand and Northern Beach prospecting rights.

These include the De Punt area (10240PR) approximately 12.4 kilometres in length and covering approximately 4,495 hectares. This area was the subject of a previously granted environmental authorisation which was appealed

and, under the instruction of the DEA, required further technical studies to be conducted. These have now progressed to a Basic Assessment Review ("BAR") inclusive of an Estuarine Biodiversity Impact Assessment due for final submission in Q1 2020. Additionally, the Klipvley Karoo Kop area (10307PR) which is approximately 16km in length and covering approximately 3,970 hectares is undergoing final BAR submission to be finalised and submitted in Q1 2020.

The Company cumulatively holds a continuous inland prospecting tenure granted, or under application, of approximately 41.4km in length and covering approximately 6,634 hectares. This is in addition to the current granted Tormin Mining Right area, and, the Northern Beach prospecting tenure.

Section 102 Expanded Mining Right Application

As previously reported, the Environmental Authorisation ("EA") for the Section 102 Expanded Mining Right Application ("S102 Expanded Mining Right Application") was granted in June 2019 and as is often the case with applications of this nature, the S102 Expanded Mining Right Application was subsequently appealed. The Company submitted the requisite responses to the appealing authority, the DEA, soon after receiving the appeal notification. The Company foresees no major impediment in any of the appeal grounds presented and remains hopeful that the appeal will be dealt with in the coming quarter.

The receipt of the prospecting rights is a significant outcome that gives the Company the opportunity to conduct exploration over a strategic land package that is the cornerstone of the Company's expanded mining strategy which, subject to granting of the S102 Expanded Mining Right Application, will enable MRC to increase production and pursue long-term mining operations and downstream processing at Tormin.

SKALAND OPERATIONS

Pre-acquisition due diligence highlighted the requirement to review the Skaland operating and reporting systems so they align with MRC's standard group reporting functions. The tabled operating and financial metrics are presented based on a commencement reporting date of October 2019. The Year To Date ("YTD") data is based on previous historical Skaland reporting data, which was provided by the previous operators of Skaland, Leonhard Nilsen & Sønner – Eiendom AS ("LNS").

Mining

Mining	Quarter ended 31-Dec-2019	Year to Date 31-Dec-19
Tonnes Mined	13,900	44,500
Waste Mined	4,900	13,500
Ore Mined	9,000	31,000
Ore Grade (%C)	28.4	26.1
Development Metres	57m	214m

During the quarter the mine delivered 10,112t of ore to the processing plant. Ore delivery in 2019 has been predominately from the 160m RL level of the stope, which was completed at the end of the year. Mine development was affected by anticipated poor drilling equipment availability due to the mechanical condition and age of the on-site production drilling equipment, which was the key driver of low development. It was decided to reschedule and bring forward a planned process plant maintenance shutdown to allow mining

development to regain synchronisation with mine and ore access development. Ore delivery to the Skaland processing plant is expected to normalise in early February 2020. In the interim, product sales will be from inventory.

Immediate action has been taken to replace the legacy development drilling equipment with new equipment. An overall assessment was conducted by an independent mining consultant and will result in an upgrade of legacy mine production and drilling equipment, which is anticipated to lead to significant improvement in production and utilisation.

Processing

Concentrate production of 2,945t exceeded the quarterly budget of 2,732t by 7.7%. The plant treated 10,112t of ore, grading 29.2%C, relative to a 10,884t budget. Higher than budget run hours and recoveries offset lower throughput.

Processing	Q4 2019 Actuals	Year to Date 31-Dec-19
Ore Processed	10,112	37,088
Throughput (tph)	6.9	7.8
Ore Grade (%C)	28.4	26.1
C Recovery (%)	93.3	91.7
Concentrate Grade (%)	90.7	91.2
Concentrate Produced (t)	2,945	9,780

Sales

Skaland produces a broad range of products including special grades to meet specific customer requirements. The coarser fractions are typically 95%-98%C, whilst the finest (powder) fraction is typically sub 90%. Previously identified optimisation initiatives, to improve the proportion of coarse flake in concentrate and improve the grade of the finer fractions in concentrate, are advancing on schedule (see Business Improvement section below).

Product (wmt)	31-Dec-19 Quarter		31-Dec-19 Year to Date		31-Dec-18 Year to Date	
	Sales	PSD %	Sales	PSD %	Sales	PSD %
Coarse / Medium	776	39%	2,467	34%	3,087	33%
Fine-Medium / Powder	1,231	61%	4,808	66%	6,226	67%
Total	2,007		7,275		9,313	

Sales revenue for the quarter was US\$1.2 million for a total of 2,007 tonnes sold. This reflects transitioning customer relationships post-acquisition, which is anticipated to improve in the next quarter significantly as a result of Company initiated marketing activities. Sales volumes in December were typical of a traditionally slow month in key European markets, adversely affected quarterly sales of 2,007t. Total sales of 7,275t for 2019 reflect the change in ownership and the associated transition from an exclusive marketing arrangement.

Unit Costs & Revenues

Importantly, Skaland remained profitable, even after lower sales revenue for the quarter, compared to the prior year. Costs remained in line with prior performance and management expectations. Management believes operational improvements will generate improving profitability for the Skaland operation in the near term.

Summary of Unit Costs & Revenues	Dec-19 Quarter	Dec-19 Year to Date
Unit production cash costs per tonne of net final concentrate produced (US\$/dmt)	\$405.18	\$417.41
Unit cost of goods sold per tonne of final concentrate sold (US\$/wmt) ⁽¹⁾	\$356.50	\$476.28
Unit revenue per tonne of final concentrate sold (US\$/wmt)	\$582.48	\$639.13

Note (1) – Cost of goods sold includes production cash costs, product handling, transport and selling costs, royalties, stock movements and depreciation and amortisation. Excludes corporate and financing costs.

Unit production cash costs for the December quarter are below YTD comparatives due to higher production in the current quarter in comparison to average YTD quarterly performance, partially offset by slightly higher production costs as Skaland transitioned to new ownership. Production in Q4 2019 is the highest quarterly production for the year.

Unit cost of goods sold for the quarter was lower than the YTD comparative reflecting above average quarterly sales in Q4 and increasing inventory values.

Unit revenue per tonne of final concentrate sold for the quarter of US\$528.48 compares to YTD US\$639.13 with the average weighted adjusted to enable the reduction of acquired stockpile inventory of Fine-Medium and Powder concentrates.

Business Improvement

The Company identified in its due diligence study that Skaland has an operations focus, with limited direct technical and professional support. Post-completion of the acquisition, the senior geologist, safety manager, procurement and logistics manager, an underground mining consultant and a senior mining executive experienced in operations, turnaround and change management, conducted site visits. The executive team also provided requisite support and commenced a performance improvement process. Key improvement initiatives commenced include:

- Core logging and geological model development to sustain LOM Development Schedule
- Exploration program development for Trælen mine
- Mining Fleet equipment optimisation and replacement
- Coarse flake recovery test work
- Testwork to upgrade fines to >96%C

MRC has undertaken a re-evaluation of the mineral resources/ore reserves in Trælen Graphite Mine anticipating release of a JORC (2012) compliant report in Q1 2020, supported by additional assaying. This work will be followed by an LOM plan and implementation of production and drilling equipment upgrades.

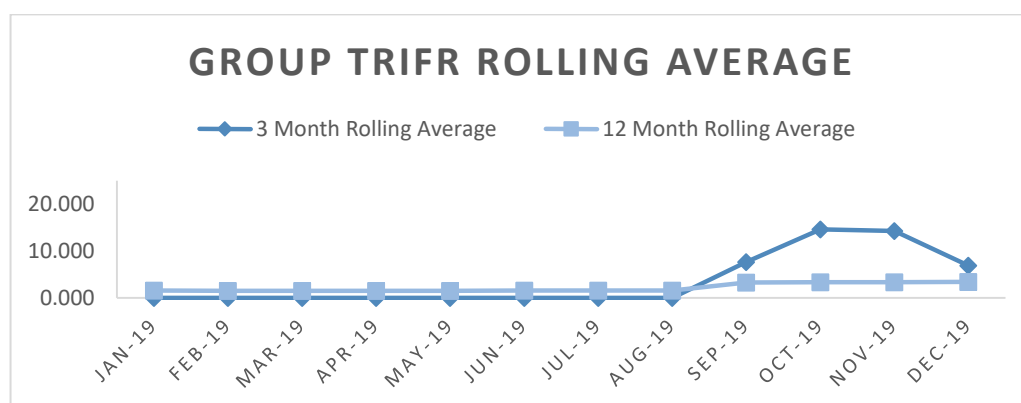
Metallurgical test work first commenced in due diligence studies was successfully completed. The results of the test work resulted in planned concentrate optimisation programs to increase coarse flake recovery and improve the grade of the fines fractions. Execution of this program, which targets an increase in the overall basket price of Skaland production, will commence in Q1 2020, with commissioning subject to delivery of long-lead items. The pilot-scale fines upgrade test work has generated significant quantities of high-grade products for downstream test work.

The Company has recruited an experienced mining executive who will assume the role of General Manager at the Skaland operations.

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DEVELOPMENT

Munglinup Graphite Project

Mondium, BatteryLimits and MRC completed the DFS in the December quarter. The DFS incorporated the benefits of the significant value engineering work undertaken by Mondium, which reduced the capital cost of the project. The mine plan was also revised to further optimise the economics of the project.

Following the completion of the DFS, the DFS outcomes were released to the Australian Stock Exchange on 8 January 2020. The Company intends to exercise its right to increase its joint venture interest from 51% to 90% by:

- paying AU\$800,000 to Gold Terrace; and
- issuing Gold Terrace with 30 million fully paid ordinary shares in MRC.

The DFS demonstrated robust economic outcomes of a concentrate only production scenario and confirmed the Company's view that Munglinup will become a crucial asset in its overall strategy to supply natural graphite into key high-demand battery anode markets.

Supplementary environmental studies to be conducted at the request of the Western Australian Environmental Protection Authority ("EPA") have been ongoing throughout the period and are on schedule for completion in Q2 2020. The EPA and Federal Department of Environment and Energy ("DoEE") will review each of the respective environmental studies prior to a 4 week public consultation period in the second half of 2020.

Downstream Graphite Projects

The CRC-P project on the development of an environmentally friendly purification process for graphite has made significant advances in the quarter.

CSIRO has identified the impurities in Skaland concentrate, with similar work previously completed on Munmlinup concentrate. Testing of individual reagents to remove impurities has been completed, as has the first stage development and optimisation of flowsheets to purify graphite to battery grades (>99.95%). Detailed results are expected early next quarter. Further optimisations and development of the process route will occur in subsequent stages.

External to the CSIRO component, the CRC-P project also evaluated an alternate process route for graphite purification. Consequently, MRC currently has two process routes to purify its graphite concentrate to battery grades under development. There are significant differences in the two processes, which will be evaluated further in the subsequent study stages to define a single, fit-for-purpose, environmentally sustainable purification process that is economic and minimises technical risks.

Outside the CRC-P project, the Company has sent samples of unpurified spherical graphite (produced from upgraded Skaland concentrate) to potential customers for testing in their proprietary purification processes, with feedback expected next quarter.

MRC has completed coin cell testing on micronised purified flake graphite produced from Munmlinup concentrate. This is the first step in evaluating performance as a battery anode material. Additional test work using spherical graphite and coated spherical graphite from purified Munmlinup concentrate is underway with results expected next quarter. A similar program will be developed for Skaland in the next quarter to assess the performance of concentrate purified by non-HF methods.

Leading up to the completion of the Skaland transaction, the Company engaged with numerous Norway based industry and government groups to assist in the development and promotion of the Company's downstream strategy for Skaland concentrate. An early example of this engagement was the December announcement of an executed binding, non-exclusive MOU with FREYR. FREYR is a Norwegian incorporated company developing a combined 2+32GWh lithium-ion battery facility and a 600 MW onshore wind-park in Rana and Nesna municipalities in Norway. MRC and FREYR have agreed to evaluate the manufacture and supply of sustainably sourced natural anode material from Skaland graphite concentrate for use in FREYR's battery cells.

Where possible and permitted, the Companies have agreed to share information on the manufacture and production of energy storage systems to enable MRC to meet FREYR's future demand requirements. MRC will also provide review and advice to FREYR on the raw material sector of the battery value chain.

Australian Exploration

Lithium/Tantalum: Paynes Find

The Company received Programme Of Work approval by Department of Mines, Industry Regulation and Safety ("DMIRS") for tantalite exploration pits in Paynes Find to evaluate elluvial and alluvial potential along the valleys and drainage to confirm the historical non-JORC resources of 70,600t@190ppm Ta₂O₅ (Calderwood, 1979).

Exploration work is planned in the first quarter of 2020.

Vanadium: Harvey

A new Dieback Survey over the drill lines has been completed and an updated dieback management plan and environmental management documents were prepared and submitted to the Department of Biodiversity, Conservation and Attractions on 11 October 2019.

Exploration drilling is expected to start in the second half of 2020.

CORPORATE

Cash and Debt

At 31 December 2019, the Company had US\$8.1 million in cash on hand compared to US\$18.8 million at 30 September 2019. The movement in cash reflects significant positive activity for the group and shareholders including the US\$4.5 million acquisition of Skaland Graphite AS and associated due diligence costs, payment of shareholders interim dividend of US\$1.7 million, general capital spend and operating cash flow adjustments. It should also be noted that increased operating cash flow spend during the quarter largely reflects timing of payments and receipts, with receivables increasing by US\$1.1 million and creditors decreasing by US\$1.4 million (US\$2.5 million net impact).

Trade and other receivables at 31 December 2019 increased to US\$10.1 million from US\$9.0 million for the prior quarter. Borrowings as at 31 December 2019 are US\$7.8 million compared to US\$3.6 million in the previous quarter, with US\$4.2 million in liabilities acquired as a part of the cost of acquisition of Skaland Graphite AS.

Outlook

Tormin's zircon/rutile concentrate continues to attract strong pricing with high levels of demand expected to continue, with the overall zircon market stabilising after a period of strong growth. Pricing did soften during the quarter but management expect pricing to rebound somewhat in the new year.

Final concentrate production for 2019 was in line with guidance for the full 2019 year provided in the previous quarterly.

Final Concentrate Production	December 2019 FY2019 Actual Production	September 2019 FY2019 Production Guidance Range
Zircon/Rutile Concentrate (dmt)	9,939	8,500 - 10,500
Ilmenite Concentrate (dmt)	49,937	50,000 – 60,000
Garnet Concentrate (dmt)	179,057	160,000 - 190,000

Sales/shipment guidance for 2019 was in line with or above guidance for the full 2019 year provided in the previous quarterly report. Ilmenite sales exceeded expectations with another 53,446t ilmenite concentrate shipment in Q4 2019.

Final Concentrate Sales	December 2019 FY2019 Actual Sales	September 2019 FY2019 Sales Guidance Range
Zircon/Rutile Concentrate (dmt)	10,044	9,000 – 11,000
Ilmenite Concentrate (dmt)	212,893	160,000 – 190,000
Garnet Concentrate (dmt)	210,000	200,000 – 220,000

Final concentrates production guidance for Tormin in 2020, including adjustment for potential S102 Expanded Mining Right expansion, has been provided below.

Final Concentrate Production	FY2020 Production Guidance Range	FY2019 Actual Production
Zircon/Rutile Concentrate (dmt)	16,000 - 20,000	9,939
Ilmenite Concentrate (dmt)	80,000 - 110,000	49,937
Garnet Concentrate (dmt)	180,000 – 220,000	179,057

Final concentrate production guidance for Skaland in 2020 has been provided below.

Final Concentrate Production	FY2020 Production Guidance Range	FY2019 Actual Production
Coarse / Medium Product (dmt)	2,500 – 4,500	3,301
Fine-Medium / Powder Product (dmt)	5,500 – 7,500	6,479

Final concentrate sales guidance for Skaland in 2020 has been provided below.

Final Concentrate Sales	FY2020 Sales Guidance Range	FY2019 Actual Sales
Coarse / Medium Product (dmt)	4,000 – 6,000	2,533
Fine-Medium / Powder Product (dmt)	7,500 – 9,500	4,742

The Company remains optimistic that a final decision in Q1 2020 on the Environmental Authorisation Appeals permitting approvals for the Tormin Section 102 Expanded Mining Right areas will allow the Company to access the higher grade Inland Strand and Northern Beach mining areas, enabling an increase in production of final concentrates.

The Company continues to integrate the Skaland Graphite Operation. The approach will involve optimisation of the current plant performance and thereafter increase production. The Company is also seeking additional graphite sales avenues to move the large inventory of fine-medium and powder graphite concentrates. The Company is progressing downstream processing value adding initiatives and is intending to move towards producing Battery Anode Material in the medium term. Norway is at the forefront of electric vehicle adoption and, with world class infrastructure, provides an excellent environment to build a vertically integrated carbon supply business.

Combined with the Munglinup Graphite Project, subsequent to a very positive DFS, the Company is well positioned to move to a Tier 1 jurisdiction supply of quality graphite concentrates and downstream battery anode and specialised graphite finished products.

Securities on Issue

Issued securities at the date of this report comprise:

- 421,191,571 fully paid ordinary shares listed on the ASX.
- 100,000 remaining Performance Rights exercisable on or before 31 May 2021, vesting at a rate of 150,000 per annum on 31 May 2019 to 2020 inclusive, and the closing share price reaching A\$0.20 and remaining at or above A\$0.20 for a period of five consecutive trading days.
- 500,000 vested Performance Rights exercisable on or before 31 May 2020.
- 1,000,000 Performance Rights exercisable on or before 1 October 2021, vesting on the 30 day Volume Weighted Average Price of the Company's Shares trading on the ASX being A\$0.20 post issue, and 333,333 vested on 1 October 2018, 333,333 vesting on 1 October 2019 and 333,334 vesting on 1 October 2020.
- 1,000,000 Performance Rights exercisable on or before 31 May 2021, vesting on the closing share price reaching A\$0.20 and remaining at or above A\$0.20 for a period of 5 consecutive days, 500,000 vesting on 25 June 2019 and 500,000 vesting on 25 June 2020, vesting upon satisfaction of performance criteria based on Key Result Areas and Key Performance Indicators applicable.
- 1,000,000 Performance Rights exercisable on or before 30 September 2021, vesting on the closing share price reaching A\$0.20 and remaining at or above A\$0.20 for a period of 5 consecutive days, 500,000 vesting on 11 October 2019 and 500,000 vesting on 11 October 2020, vesting upon satisfaction of performance criteria based on Key Result Areas and Key Performance Indicators applicable.
- 1,000,000 Performance Rights exercisable on or before 14 May 2022, vesting on the closing share price reaching A\$0.26 and remaining at or above A\$0.26 for a period of 30 consecutive days, 500,000 vesting on 14 May 2020 and 500,000 vesting on 14 May 2021, vesting upon satisfaction of performance criteria based on Key Result Areas and Key Performance Indicators applicable.
- 150,000 Performance Rights exercisable on or before 28 February 2023, vesting on the 30 day Volume Weighted Average Price of the Company's Shares trading on the ASX being A\$0.26 post issue, and 50,000 vested on 28 February 2020, 50,000 vesting on 28 February 2021 and 50,000 vesting on 28 February 2022.

- ENDS -

Issue by: Mineral Commodities Ltd ACN 008 478 653

Authorised by: The Executive Chairman and Company Secretary, Mineral Commodities Ltd

For further information, please contact:

INVESTORS & MEDIA

Peter Fox

Investor Relations and Corporate Development

T: +61 8 6253 1100

investor@mncom.com.au

CORPORATE

Peter Torre

Company Secretary

T: +61 8 6253 1100

peter@torrecorporate.com.au

COMPETENT PERSONS STATEMENT

The information, if any, in this statement which relates to Exploration Results, Mineral Resources or Ore Reserves for Tormin is based on information compiled by Dr Joseph A.P. Drake-Brockman, who is a Member of the AusIMM and is an independent consultant to the Company. Dr Drake-Brockman is an employee of Drake-Brockman Geoinfo Pty Ltd and has over 36 years of exploration and mining experience in a variety of mineral deposits and styles. Dr Drake-Brockman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012). The information from Dr Drake-Brockman was prepared under the JORC Code (2012). Dr Drake-Brockman consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information, if any, in this statement which relates to Mineral Resources for Munglinup is based on information compiled by Mr Chris De Vitry who is a member of the AusIMM and an independent consultant to the Company. Mr De Vitry is the Director and Principal Geologist of Manna Hill GeoConsulting Pty Ltd. Mr De Vitry has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined by the JORC Code (2012). Mr De Vitry consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information, if any, in this statement which relates to the Ore Reserve for Munglinup is based on information compiled by Mr Daniel Hastings, who is a Member of the AusIMM. Mr Hastings is an employee of Hastings Bell Pty Ltd and a consultant to the Company. Mr Hastings has sufficient experience relevant to the type of deposit under consideration to qualify as a Competent Person as defined by the JORC Code (2012). Mr Hastings consents to the inclusion in the report of the matters based on the reviewed information in the form and context in which it appears.

The supporting information relating to the Skaland foreign estimate has not materially changed since the initial market announcement (4 April 2019 – MRC Acquires World's Highest Grade Flake Graphite Operation). Foreign estimates are not reported in accordance with the JORC code and a competent person has not done sufficient work to classify the foreign estimates as mineral resources or ore reserves in accordance with the JORC code. It is uncertain that following further work that the foreign estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC code.